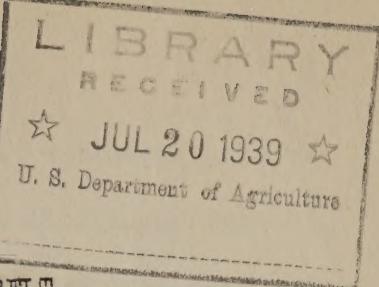


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### THE RESEALING PROGRAM: A CHALLENGE TO THE CORN BELT

Address by Claude R. Wickard, Director North Central Division, Agricultural Adjustment Administration, before the Farmers' Grain Dealers Association of Iowa, at Fort Dodge, Ia., 10 a.m., July 14, 1939.

I have come out here to Fort Dodge, in the heart of the cash corn area of Iowa, for a very specific purpose. I am going to discuss with you the AAA corn program with particular reference to the part played by the extension of loans on the 1937 and 1938 corn which is now under Government seal in your communities and on your farms.

Now I'm not going to spend much time on details; you already have or can get those from your AAA committeeman or out of your local newspaper. Rather I'm going to discuss with you "reasons why", and show you why I, as a corn and livestock farmer from Carroll County, Indiana, think that we are now at one of the crucial points in the history of agricultural adjustment for the Corn Belt. I'm going to tell you why I think that at this particular time -- as never before -- the destiny of the corn farmer rests in his own hands; and why I think that the economy of the whole Middle West depends upon the decisions which we corn farmers make within the next six weeks.

Are we going back to low corn reserves, recurring glutted corn markets, alternating over-production and under-production of livestock? Are we going to become soil robbers again, or are we going to strive harder than ever before to preserve our soil resources? It is up to you and me. Congress and the public have put this question right up to us. You and I have too much at stake not to stop and think this whole thing through from beginning to end.



Our own Secretary of Agriculture, Henry A. Wallace, in my estimation, knows more about corn than any other person. Two decades ago, he was telling us some of the dangers ahead. I wish we had heeded his warnings. But it seems that sometimes we have to learn through bitter experience. He told us many years before he became Secretary of Agriculture that we should learn from Joseph of Bible times to prepare in times of plenty for unfavorable seasons. In October, 1933, within a few months after he became Secretary of Agriculture, he announced the first corn loan. It was the first step toward an ever-normal granary. There were 271 million bushels of corn placed under loan and kept off a glutted market that winter. And then followed the terrible drought of 1934. How that corn came in handy. I can remember driving through the drought-stricken Corn Belt in the summer of 1934 and seeing long cribs of sealed corn. What a feeling of security they gave us. But the amount we carried over from the 1933 crop proved entirely too small to make up for the destruction of dry weather and searing winds in 1934.

And then, we had a short crop in 1935 largely because of wet weather and we did not even get back a normal reserve before we were hit by the 1936 drought. Although we produced a little more corn that year than in 1934, we had scarcely any reserve and we were hit terribly hard because of lack of corn for our livestock. But it seemed to me the worst thing about it all was that we incurred the wrath of our best customers, the consumers in the big cities. They got the idea that we were running a scarcity program. Sky-rocketing meat prices told them something was wrong. We pointed to the weather and said we were not guilty of trying to bring about scarcity. But after all, we just did not at that time have a program that prevented scarcity -- and the consumer wrath which we can not afford. We did not have an Ever-Normal Granary.

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In the fall of 1937, when it was evident we were going to have a good corn yield, Secretary Wallace talked to hundreds of Corn Belt farmers at Indianapolis. He outlined out what he thought was a sound program. The Ever-Normal Granary was the principal feature of that program. In that speech, he said we must at least double our carryover of corn and I know that he felt personally it might be wise to treble our carryover.

A special session of Congress was called. A real law was enacted. The corn farmer was given a program similar to the one advocated by the Secretary. We were given a real loan program. Then in 1938 we had another good yield of corn. Today it looks as though we are going to have a little over twice the normal reserve or carryover - or around 400 million bushels of corn when the new crop harvest starts. We know that we have about 257 million bushels under seal; practically all of it out on the farms -- where it should be.

Now what are we going to do with it? Are we going to keep this good reserve of corn until it is needed or are we going to dump it on the market and depress corn prices which will lead to an excessive livestock production? The answer rests with us Corn Belt farmers. We have the law. Under it we have the loan renewal program which will enable us to keep this reserve and protect our incomes and the consumer's interest.

Now let us take a brief look at the details of the loan extension that we may all be together on these points:

1. Loans on 1937 and 1938 corn are eligible for 12-months renewal, advancing the due date to August 1, 1940.
2. Farmers who deliver their corn in settlement of the loan at the end of the period are eligible for a 6-cent per bushel storage payment.
3. If prices advance and farmers redeem their corn during the extended period, they will not be eligible for this storage payment but will in effect receive it through the higher price they receive for their corn.



4. All 1937 corn must be stored as shelled corn. In 1938 corn may be stored either shelled or in the ear.

5. Farmers may obtain this storage payment in the form of an advance for the purpose of building new cribs and bins. Such an advance becomes an additional lien against the corn.

6. Farmers may store their corn either in approved bins or cribs on the farm or in the elevators located in the same communities in which the corn is produced.

In this program there is a definite encouragement for farmers to build or purchase additional storage. Our storage facilities have never been adequate and have deteriorated along with other farm buildings during low prices. We hope the renewal program will offer a real incentive to increased country storage facilities. In this connection, I would like to say a word about our experience with year-old shelled corn this year. About 9 million bushels of 1937 corn were shelled and sealed on farms this year. It kept splendidly and proved that properly dried shelled corn can be stored safely for long periods. It also offers a way of avoiding loss from rats. Our experience with this corn leads us to believe that it is altogether practical to shell a substantial part of our 1938 corn and place it in tight granaries.

Now all of this means that the Commodity Credit Corporation is doing everything reasonable to enable farmers to retain title to this sealed corn. You can't lose if you retain title to the corn. You are in a position to profit by keeping title to the corn. You won't gain if you lose title to the corn. In any event, the Commodity Credit Corporation is not going to dump this corn on the market. We made a mistake last year when we sold some bargain corn back to producers in the neighborhood. But some of us are paying for our bargains now through cheap hogs and other livestock. We are resolved that we are going to profit by our experience. We are going to keep this sealed corn off the market until it is needed.



Naturally I don't need to dwell on the fact that cheap corn means cheap livestock. I can't tell you anything about that and you can't tell me anything about it, either. When corn sells for a quarter, 3-cent hogs will grow in Indiana just as well as they do here in Iowa.

As an Indiana hog producer, the thing that I want to see right now is this: I want to see us keep this corn off the market and then in 1940, if necessary, adjust our corn acreage so that we won't see any more of that 25-cent corn. And at the same time I want to see a reserve built up out here on the farms so that in years like 1934 and 1936, I won't have to go into the terminals and buy corn at \$1.25 that moved off my neighbors' farms the fall before at 50 cents a bushel. That's what I want to see right now. And I know that's what you want to see, too.

I know that if corn is too cheap, both my neighbors and I are going to raise too many hogs. We always have before in cases like that -- and we will again. And I know if corn is too high profits for the hog producers -- or the cattle feeder or the dairyman -- are pretty slim. We lose both ways.

Of course there's your livestock man who wants cheap corn -- or I suppose you still find one occasionally who believes that cheap corn assures great feeding profits. He may believe that liquidation of all sealed corn would mean a bonanza for the hog producer or the cattle feeder. Actually, a flood of cheap corn this fall would be the worst thing that could happen to him. Already, an expansion in hog numbers has greatly reduced prices, and prospects are for still lower prices this fall. But if the 250 million bushels of corn now under seal are thrown on the market, the hog prices we do receive this fall will be higher than a cat's back compared to what we could get next spring and next summer. A flood of cheap corn this fall would probably lead to an expansion in hog numbers that would result in a supply even greater than that which glutted the market in 1932-33.



By way of illustration, we might say that if we used all of our scaled corn we could feed our hogs to an average weight of 250 pounds -- instead of the 200 that is likely if we keep the corn under seal. Lard is cheap and it is possible that we wouldn't get any more dollars per head for our 250-pound hogs than for our 200-pound hogs. At least the chances are that we might be just as well off to sell the hogs at 200 pounds and use the corn for fuel this winter. The prospects for lard are terrible. Germany -- formerly our best customer -- has practically quit buying. I don't need to tell you that chances are poor to regain much of our export market to some other countries, too. So what is the sensible thing to do? Let's keep our hogs and hold this corn.

Every once in a while I hear someone say -- "when you have too much corn, the only way in the world to stop the ever-normal granary from running over is to let it out; throw it on the market; feed it; waste it; get rid of it." That was about the only thing that could be done before we had the AAA acreage adjustment programs. But we don't have to do that now. Not if we make use of the AAA corn acreage allotments.

We recognize that we have reduced our acreage more than we have reduced our bushels. There undoubtedly are some things in addition to favorable weather which has brought about higher yields during the last two years -- perhaps this year too. In other words, we are going to have to recognize that our yields out here in the Corn Belt are getting higher even in average weather.

We have been greatly increasing the use of hybrid seed. And as yet no one knows exactly how much influence that factor has on our total production. There has also been a considerable increase in the use of commercial fertilizer in some parts of the Corn Belt. -----



And beyond that, improved cultural methods -- such as the better machinery, rubber-tired tractors making it possible to do field work at exactly the right time, and generally better farming methods -- all those have greatly increased our production. Likewise, our poorer land is being retired and planted to soil conserving crops, leaving our very best land for the production of our major crops. In other words, we can produce the same amount of corn on fewer acres.

Which is exactly as it should be. Don't think that I'm decrying these improvements. The underlying philosophy of the **AAA** is better farming, better use of the land, lower cost per unit. All of those mean better farm income.

But we can't recognize these facts -- as recognize them we must -- and escape adjusting our acreage accordingly. In other words, unless something happens to this corn crop, we must plan on planting fewer acres of corn in 1940.

Every once in a while someone says we just can't cut down our corn acreage any more. What will we do with our labor and our machinery? Let's think about that a minute. Do we really have to keep up our corn acreage in order to get exercise for ourselves and the boys? Do the tractors and corn pickers need exercise? Are we going to use this machinery and better seed to remove drudgery and make our labor more efficient? Or are we going to use it to increase production, decrease prices, and destroy soil fertility? Let's just use some good horse sense even if we have a new rubber-tired tractor.

There is one other phase of this corn program that to me is more important than all the other considerations combined. Do you realize that this large carry-over of old corn gives us an opportunity to do a much better job of soil conservation. You know higher yields without decreased acreage means faster soil depletion.



Our top soil was built out here in the Corn Belt through thousands of years by decaying vegetation remaining on the land. A well-known soils specialist says he is not sure we have found a cropping system that will strictly maintain our soils. We surely haven't been doing it. To be sure of that all you have to do is look at the results of some of our federal land use surveys. On 41 percent of the total land area of this country, erosion has been serious enough to destroy from one-fourth to three-fourths of the top soil. On 12 percent of our land more than three-fourths of the top soil has been lost through erosion. And despite your flat, fertile land here in Iowa, erosion is no stranger in this state.

Federal surveys show that you Iowans own and operate 25 percent of all the Grade A land in the United States; one-fourth of the best soil in this country lies in Iowa boundaries. But listen to this:

There are about 35.5 million acres of land in Iowa. But on 17 million acres from one-fourth to three-fourths of the top soil has been washed away. On another 3.5 million acres more than three-fourths of the top soil has washed away. Think of it! On considerably more than half of this fertile State -- which people throughout the country look upon as the Nation's breadbasket -- from one-fourth to three-fourths of the top soil has disappeared.

Another 50 years of cropping practices such as this country -- and this State -- have known in the past, and we won't be worrying about over-production in the United States.

If we continue this sort of thing we won't be worrying about lack of exercise either. Over-cropping means depleted soil. Depleted soil means impoverished people. The decision we reach in this whole corn matter is exceedingly important to us who now live on the soil. It is important to the consumers who now live in the cities and towns. But it is more important to future generations wherever they may live in this broad land of ours.



These, it seems to me, are some of the possibilities to be considered when we think about the disposition of the corn we now hold in the Ever-Normal Granary. Don't get the impression from my comments that I look upon our prospective carry-over as a calamity. Quite the contrary. I look upon it as an achievement — the attainment of a goal for which we have been striving. My only concern is that we all recognize this situation as it relates to the rest of our triple-A program; as it relates to the future of our economy here in the Corn Belt; and, as it relates to the income and general welfare of every farm family in the Middle West.

Now I have outlined the situation as I see it. We want the Ever-Normal Granary of corn on our farms and we want an Ever-Normal Granary of fertility in the soil. What are we going to do about it. The decision is up to us.

We worked years to get our program. It's working now. Let's not tear it down or threaten its foundations by going back to the every-man-for-himself plan. I have no fear if every farmer gets the facts and thinks it through.

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